

Can P. Case - 910

A BONUS TO STEEL SHIPBUILDING IN CANADA



Compliments of
HALIFAX BOARD OF TRADE
HALIFAX, N. S.

THE
ARGUMENT
IN THE
CASE

1906

HALIFAX, NOVA SCOTIA,
November 22, 1906.

THE HON. W. S. FIELDING,
Minister of Finance,
OTTAWA, CANADA,

SIR:—

In accordance with your suggestion that we should supply the Tariff Commission, with any further information on the question of Steel Shipbuilding that we could secure, we have the honor to enclose a statement which is intended to sum up the argument in favor of a bounty on Canadian tonnage. For the sake of convenience we have had it printed, and trust its perusal by the Tariff Commissioners may emphasize the claim which this important industry has on their consideration.

We are sending copies of this document to the other Members of the Government and to the Members of Parliament, and again beg most respectfully to urge that the bounty of \$6.00 per gross ton, which has been asked for in a memorial previously presented to the Government, may be granted at the coming session of Parliament.

We feel sure that this important question will receive the consideration it deserves from your Commission, and have the honor to be,

Your obedient servants,

R. T. MACILREITH,
Mayor of Halifax.

E. F. WILLIAMS,
Mayor of Dartmouth.

A. M. BELL,
*President Halifax
Board of Trade.*

A. C. PYKE,
*President Dartmouth
Board of Trade.*

Shipbuilding in Canada.

EASTERN Canada was formerly one of the great shipbuilding countries of the world. Its many hundreds of miles of sea coast, indented with harbours, coupled with the possession of immense areas of splendid forest growth, created the conditions for a shipbuilding industry, which, until a generation ago, was one of almost unchecked progress and development. A hundred towns grew up within sight of the sea, each possessing shipyards and a population employed in either building, repairing, outfitting, owning or sailing vessels. Our flag became known in all seas, and Canada assumed a place as one of the four great ship owning countries of the world.

The advent of steel shipbuilding struck a fatal blow at this great source of our wealth and prosperity.

The increase in the size of vessels from 2,000 tons to 20,000 tons, made possible by the use of steel, added to greater durability and lessened insurance, effected such a reduction in the rates of ocean freights, that wooden ships could no longer compete, and shipbuilding was transferred to British yards where iron, coal, skilled labor and capital were cheaper than in any other country. The loss of business, capital, income and employment, in which at least one-fourth of the people were interested, is one from which Eastern Canada has not yet recovered.

Natural products of the soil, sea, mine, and forest can only be made valuable by adequate transportation facilities. The two countries possessing the most extensive and highly developed transportation systems are Great Britain and the United States. (Note 1.)

Note 1.—The American Railways represent an investment of over \$10,000,000,000 and an earning power of over \$600,000,000. British ships represent a capital investment of \$750,000,000 and earning power of \$450,000,000.

AMERICAN DOMESTIC AND BRITISH FOREIGN TRADE SIMILAR

IT is important to note the analogy that exists between the *inland trade* of the United States and the *water borne* trade of Britain. Each owes its existence to the fostering and protective care of its respective government.

The construction of the Erie Canal followed later by railway extension, opened up the vast solitudes beyond the Alleghanies and Mississippi to settlement and trade. In 1850 the Washington government subsidized a trunk line from Lake Michigan to the Gulf of Mexico, with a land grant six miles square for every mile built. Every state west of the Mississippi and five east of it are indebted to land grants for initiating the construction of railways. The Union and Central Pacific Railways received 20 square miles of land grant for every mile built, and in addition a loan of sixty-two millions of dollars. United States is now expending over \$19,000,000 annually on harbor and river improvements—largely to promote inland transportation. The Erie Canal is now being deepened a second time at a cost of \$100,000.00. Improvement schemes, involving an expenditure in all, of \$400,000,000, have been approved by the government experts at Washington and are awaiting appropriations.

Parallel with these huge expenditures, made or contemplated for transportation purposes, Britain's colonial and foreign trade was also supported by like means. She did not establish her supremacy as the great ocean carrier of modern times on free trade lines. On the contrary the British government subsidized its main line of steamers "to afford a rapid, frequent and punctual

communication with their distant ports which feed the main arteries of British commerce." [Parliamentary Report on Contract Packets 1858.]

Britain pays over a million pounds a year in subventions to steamship lines. When next year the Cunard Co. puts its two 25-knot flyers on the Atlantic and receives £150,000 annual subsidy, the total payments made by the British government to shipping companies will be £1,127,145 sterling. Of this sum £860,000 is for mail service, £200,000 for admiralty subventions, as payment for holding vessels at the service of the government in time of war, and £40,000 to the Elder-Dempster line to Jamaica, to encourage the fruit trade. The companies receiving them, look upon them as very valuable aids to their respective enterprises and use them for the purpose of pushing and extending their lines. Rapid postal communication has mainly followed lines of great commercial traffic, and to this extent British postal subsidies are paid for the assistance of trade. But for these subsidies many of the shipping companies could not keep up the competition. Sir Thomas Sutherland, President of the Peninsular & Oriental Company, which receives an annual subsidy of £350,000 sterling, made a statement recently that his company could build vessels for £10 per ton, but in consequence of the conditions imposed by the government, they cost £30 per ton. The magnificent vessels thus created are potent agencies in pushing freight and passenger business. The Cunard Company receives a trifle over 1 per cent. in subsidy, and its dividends for eight years have averaged only 2 per cent. Could any statement be stronger than this as to the value of public subsidy, without which the Cunard and many other of the great ocean lines would have no existence?

IMPORTANCE OF CHEAP TRANSPORTATION.

A SECOND point of analogy between these contrasted countries is the cheapness with which products are carried from the country where they originate to the place of consumption. Cheapness in transportation is a factor in the progress and prosperity of any country, second only to the possession of natural or manufactured products to be marketed. (Note 2.)

Note 2.—Freight rates on wheat from Chicago to New York, show the following reductions per bushel:—

Year.	Lake and Canal.	Lake and Rail.	All Rail.
	cts.	cts.	cts.
1868	22.79	29.	42.6
1905	5.51	6.44	10.20

The cost of transportation of wheat from Chicago to Buffalo decreased from 9.89 cents per bushel in 1860, to 1.32 cents in 1905. Senator Frye, chairman of the National Waterways Commission, reported in 1892:

"A diminution of one mill per ton per mile, freight on United States railways effects a saving of \$100,000,000 to shippers."

Mulhall states the cost of transporting one ton of freight one mile, in cents, is as follows:—

United Kingdom	\$2.80
Italy	2.50
Russia	2.40
France	2.20
Germany	1.64
Belgium	1.60
Holland	1.56
United States	0.80

The tonnage of Pittsburg, owing to cheap carriage of coal and iron, has come to exceed that of any port in the world. In 1902, the rail and river shipments exceeded 86,000,000 tons, the water shipments 11,000,000 tons, or more than either London or New York.

(Note 2 continued on page 7).

THE parallel between the two countries might be carried still further to show that the internal transportation facilities of Britain and the foreign transportation facilities of the United States (Note 3) have both been neglected by their respective governments; both have maintained excessively high rates, in the one case to the disadvantage of the English consumer, and in the other to the loss of the American shipper. (Note 4.)

Note 2.—(Continued from page 6).

Ocean rates have also been reduced as follows:—

Grain from St. Louis to Liverpool, per bushel.

	Via. New Orleans.	Via. New York.
1882.	22.66 cts.	23.66 cts.
1905.	10.00 "	16.62 "

CHICAGO TO LIVERPOOL:

1896	\$0.335
1905	0.1916

NEW YORK TO LIVERPOOL:

1864	3,3/16 pence
1905	1,3/8 "

Note 3.—From 1884 to 1904, the protected coastwise steam tonnage of the United States increased 161 per cent. and sail vessels 20 per cent., the decrease in shipping being in foreign carrying vessels.

The construction of the Panama Canal gives great possibilities to the American coasting trade, which is jealously guarded as an exclusive reservation for American built vessels.

On the other hand, American foreign carrying trade has passed into the hands of foreigners. American vessels engaged in it:

1861	2,642,628 tons
1905	954,513 "

Note 4.—It Costs \$3.00 to carry a ton of coal in an American bottom from Newport News to a Mediterranean port; it costs \$1.00 from Wales to the same port. The foreign shipping industry in the United States is in a constant state of bankruptcy, receiverships and re-organizations. Nearly \$100,000,000 invested in shipbuilding yields no interest.

At the present time very considerable activity exists in the Great Lakes and coastwise ship building trades of the United States. During the last fiscal year the gross tonnage built was 418,745. Of those on the seaboard, only three steamers of 15,344 tons were built, and ten vessels of 16,681 tons for river and bay service. Forty vessels of 232,866 tons were built on the great lakes. It is believed that 600,000 tons will be built next year.

The small part taken by United States vessels in their foreign carrying trade is shewn from the summary of vessels entered from foreign countries in 1905 :

American vessels	4,120,187 tons
Foreign "	20,673,112 "
Total.....	24,793,299 "

UNITED STATES SHIP SUBSIDY BILL.

A MEASURE was projected in the United States to levy discriminating duties on imports in Foreign bottoms. In 1904 a Commission of Congress investigated it and reported against it on the following grounds :—

1st :—Treaties with thirty (30) Foreign governments forbade it.

2nd :—Retaliation would result to the injury of American interests.

3rd :—Forty per cent. of value and sixty per cent. to seventy per cent. of bulk of American imports were on free list. This list would have to be abolished leading to higher prices.

In place of this project the Commission drafted a bill, which has now been before the Congress a year. It was adopted by the Senate, but was rejected by the lower House. The indications are that the administration will

use its influence to secure its passage. Its preamble states it is to create a force of naval volunteers, to establish American ocean mail lines to foreign markets, and to promote commerce. The first section provides for the enrollment of a naval reserve from the Merchant Marine, by payment of annual retainers. Second section provides for the payment to the owners of any vessels built hereinafter and registered in United States, engaged exclusively as a common carrier five dollars per gross ton if engaged in Foreign trade or deep sea fisheries for one year; four dollars for nine months two dollars and fifty cents for six months; such vessel can be taken by the government; carry mails free; one-sixth of crew shall be citizens of United States. This contract may be renewable yearly for ten years. In addition the bill also provides liberal subvention to steamship lines. (Note 5.)

Note 5.—

To Brazil, monthly, 14 knots	\$150,000
“ Uruguay and Argentine, 14 knots	187,500
“ South Africa, 12 knots	187,500
“ Brazil (from Gulf port) 12 knots	137,500
“ Cuba, semi-weekly, 14 knots	75,000
“ Central America, semi-weekly	75,000
“ Mexico (from Gulf port) 12 knots	50,000
“ Japan, etc., via. Hawaii, from a Pacific port, monthly, 16 knots	300,000
“ China and Philippines, 13 knots	210,000
“ Australasia, via Hawaii, three weeks, 16 knot	217,000
“ Mexico, Central America and Panama, fortnightly, 12 knots	120,000

ALL MARITIME COUNTRIES PROTECT THEIR SHIPPING.

THE countries of Continental Europe have been equally solicitous as Britain and United States to promote a foreign carrying trade. Germany, eager to create a Mercantile Marine as the basis of a navy, has established a scientific subsidy system, whereby differential rates on railways are applied to overseas traffic on German bottoms. The cash subsidies to the North German Lloyds and Hamburg American lines by the government amounts to about nine per cent. on the capital invested. The former, receiving £280,000 per annum subsidy, has had established for some time a line of steamers between Manchester and German ports taking the business formerly carried on by Liverpool liners, and on the East coast a steady increase of trade by German steamers takes place to Hamburg and Bremen. The Massageries Maritime Company have established a line operating from London. German steamers have largely supplanted British ones in the British East African trade. France is equally in earnest to maintain a commercial position on the seas and spends large sums for this purpose. She expends over a million and a half pounds annually on a tonnage valued at only £12,000,000 sterling. Russia has a subsidized volunteer fleet; Austria gives "trip" bounties and ship building subsidies; Holland largely endows shipping companies running lines to its colonies; and Japan, not behind her European compeers, has organized its great Nippon Yusen Kaisha, a domestic shipbuilding organization established at the public expense, and whose lines of traffic in the East are already supplanting those of Europe. Austria pays more than £300,000 subsidies for a Mercantile Marine of less than 200,000 tons. Within a short period the Norwegian government has subsidized a line of

steamers to Newcastle, displacing the Wilson line, which had done the service for fifty years. Italy has also subsidized her Mercantile Marine and her vessels have monopolized the iron ore trade at Almira.

To summarise, the following figures are given as approximately correct as the subsidies and bounties annually paid :—

Spain.....	\$1,500,000
Japan.....	3,000,000
Italy.....	2,750,000
Britain.....	5,500,000
Germany.....	1,800,000
Austria.....	1,600,000
France.....	7,500,000

Note the results :—

Japan's steam tonnage increased from 123,000 tons in 1890 to 646,000 in 1904; England from 8,000,000 to 12,000,000; Germany from 900,000 to 2,900,000; France 800,000 to 1,200,000 tons.

The vessels built in the British yards have averaged for a number of years 750,000 tons for domestic purposes, and 150,000 tons for foreign. The total net tonnage of the United Kingdom in 1904 was 10,557,520; of the Empire, 12,156,101 tons.

DECADENCE OF CANADIAN SHIPPING.

IN contrast with progress made by continental nations, by England and the United States, in their inland and coast wise transportation, the decadence of Canadian shipping interests is a lamentable fact. Instead of being the fourth ship-owning country, she is now the eleventh. Our registered tonnage has decreased from 1,333,015 tons in 1878, to 672,838 tons in 1904, notwithstanding the wonderful expansion of our trade. The tonnage built decreased from 188,010 tons in 1874 to 38,192 tons in 1904.

The water borne traffic of Canada is made up of sea going tonnage, Great Lakes' shipping, and coastwise vessels. Of the 15,800,000 sea going tonnage in and out, Canada could claim less than two millions of tons, or about twelve per cent. only. Under United States' flag there were three million five hundred tons or about 75 per cent. more than Canada possesses, of her own trade. (Note 6.)

Note 6.—The total sea going tonnage entered in and out :

1876	5,914,764
1904	15,826,705

The changes in flag are as striking as the increase in tonnage :

	1876.	1904.
British.....	1,896,603	8,046,817
Canadian.....	1,634,333	1,979,803
Foreign.....	2,379,828	5,801,085
Total	5,914,764	15,826,705

Thus out of 15,826,705 tons, Canada could claim only 1,968,803 tons of the foreign tonnage, the United States claimed 3,524,497 tons.

Since the period 1874-8 to 1904, the percentage of each nationality has varied as follows :

British	49.6 to 58.4
Foreign	32.2 to 30.4
Canadian	17.9 to 11.2

The following is a table of registered sea going tonnage carrying cargo into and out of the following Provinces :—

QUEBEC.

1869-73, yearly average	1,708,222
1879-83, " "	2,017,585
1889-93, " "	2,180,166
1899-03, " "	3,184,034

NOVA SCOTIA.

1869-73, yearly average	1,372,906
1879-83, " "	1,810,550
1889-93, " "	2,458,920
1899-03, " "	3,487,261

NEW BRUNSWICK.

1869-73, yearly average	1,122,452
1879-83, " "	1,132,723
1889-93, " "	1,186,880
1899-03, " "	1,385,289

THE traffic on the Great Lakes between Canada and United States, in 1904, was about equally divided. The inaccessibility of the lakes to ocean tonnage operated as a protection to Canadian vessels from the competition of British builders, and Canada has been better able to retain her own business.

Great Lakes' tonnage 1904, shows as follows:—

	Canadian.	United States.
Arrived.....	4,494,324.....	8,628,515
Departed.....	3,481,163.....	4,771,498
	7,975,487	7,400,013

The increase of this tonnage since 1868 has been eighty-three per cent.

The coastwise trade of Canada has made amazing progress between 1876 and 1904, the increase being from ten millions to forty-five millions of tons.

Of this tonnage in 1904, the following are the nationalities:—

	Tons.
British	42,938,896
Foreign.....	2,566,726
Total.....	45,505,12

The foreign tonnage increased from 1,556,252 tons in 1903, being an increase of about one million tons in one year.

The coasting trade of Canada is regulated by the Act, Chap. 83, Revised Statutes, which enacts that no goods or passengers can be carried from one port in Canada to another except in British ships. This has been modified by Order in Council, admitting vessels of Italy, Germany, the Netherlands, Sweden, Norway,

Austria-Hungary, Denmark, Belgium and the Argentine Republic, to our coastwise trade in exchange for like privileges granted by them.

Norway has long carried a large portion of our transatlantic lumber shipments. Of late years she has succeeded in making her way into our coastwise trade. Her vessels have about all the advantages of our local shipping, and some that we do not possess. Last year, over 1,200,000 tons of coal were carried from Cape Breton up the St. Lawrence under the Norwegian flag.

STEEL SHIP BUILDING IN CANADA.

AN attempt has been made to meet the new conditions of shipbuilding created by the use of steel, by the establishment of steel shipbuilding yards in Canada, and five companies, besides some smaller firms have been doing business, viz :—

Algoma Steel Co., Ltd., Sault Ste Marie.
Canada Iron Furnace Co., Ltd., Montreal.
Collingwood Shipbuilding Co.
Bertram Engine Works, Toronto.
Canadian Shipbuilding Co., Toronto.

While these yards are not closed, they are practically idle and serve to demonstrate the fact that under present conditions of competition with the British builders the industry cannot make any progress in Canada. The Imperial Merchant's Shipping Act being in operation in Canada, no tariff discrimination can be exercised in favor of our own shipping, such as is enjoyed by other industries, and therefore a bonus on the tonnage built seems the only practical method of assisting in the reuscitation of this business.

While the Canadian people have adopted the policy of protecting and supporting home industries, it seems an anomaly that the shipping interests alone should be neglected and left to suffer entire extinction from the protected competition of other countries. A policy that has been successful in building up the workshops and factories of Canada, and that after trial, has received the ample endorsement of the people at the polls, ought to have been extended to the shipyards, and afforded a continuance of the employment of labor and capital that formerly made our shipping a source of prosperity and wealth.

BONUS NECESSARY.

NO good reason exists why Canada should not build her own ships and do her own carrying trade. The policy of abandoning our Merchant Marine to its fate ; of allowing our sea-faring population to drift away into other employments ; of permitting other countries to enjoy the profits and prestige of doing our ocean carrying, is not one that can commend itself to the progressive spirit of our people.

About \$70,000,000 of Canadian capital, within a few years, have been expended in Cape Breton in the development of coal and iron. Many millions have been invested at Sault Ste. Marie in steel production. The erection of steel shipbuilding works is a fitting supplement and crowning measure to the establishment of great coal, iron and steel producing industries. The latter completes a series of conditions required in steel shipbuilding, such as exist in the great shipbuilding centres in Great Britain.

The fisheries are demanding more and more steam vessels. Harbor, river and coast improvements are requiring more dredges. The government marine service

necessitates new steamers. The coastwise business of the country is developing into regular steam packet lines. The influx of population into the Northwest, the development of the grain growing sections, demand rapidly increasing steam tonnage on the Great Lakes. Shall Canadian skill, labor and capital have an opportunity of employment in the development of and the profits in this growing business, or shall it be left to the enterprise of outside people?

Canada possesses extensive coal deposits at tide water, which afford a Marine traffic of over four millions of tons; she ships a million thousand feet of lumber products annually; her export of grain, rapidly increasing, will soon reach a hundred millions of bushels. Of other products Canada has hundreds of thousands of tons to export. In addition to providing this enormous trade for a shipping business Canada has excavated canals, deepened rivers, dredged harbours, erected docks, buoyed and lit the entrance to all our water-ways, and in short created the business, the facilities and conditions demanded by a maritime power, and then stopped short without taking the one effective step to bring into being the thing itself —a Mercantile Marine.

